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9 UNITED STATES BANKRUPTCY COURT
10 CENTRAL DISTRICT OF CALIFORNIA – SANTA ANA DIVISION

11 In re
12 THE LITIGATION PRACTICE GROUP P.C.,
13 Debtor.

Case No: 8:23-bk-10571-SC

Chapter 11

STIPULATION BETWEEN CHAPTER 11
TRUSTEE AND MNS FUNDING LLC RE:
USE OF SALES PROCEEDS TO PAY
OPERATING EXPENSES

[NO HEARING REQUIRED]

17 TO THE HONORABLE SCOTT C. CLARKSON, UNITED STATES BANKRUPTCY JUDGE,
18 THE OFFICE OF THE UNITED STATES TRUSTEE, AND ALL INTERESTED PARTIES:

19 This Stipulation (“Stipulation”) is entered into by and between Richard A. Marshack, in his
20 capacity as Chapter 11 Trustee (“Trustee”) of the Bankruptcy Estate (“Estate”) of The Litigation
21 Practice Group P.C. (“Debtor”), and MNS Funding LLC (“MNS”), (collectively, Trustee and MNS
22 are referred to as the “Parties”).

23 **RECITALS**

24 A. MNS asserts that the security interest perfected by the assignment of an UCC-1
25 Financing Statement, filed under number U210050823723 on May 28, 2021 (“UCC Financing
26 Statement”), which expressly lists “The Litigation Practice Group P.C.” as one of the debtors.¹

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28 ¹ *Id.*, Ex. 1, p. 38.

1 B. MNS contends that its lien is senior to other secured creditors including Fundura,
2 Azzure, and OHPP.

3 **Bankruptcy Filing and Trustee's Sale**

4 A. On March 20, 2023, Debtor filed a voluntary petition under Chapter 11 of Title 11 of
5 the United States Code, initiating bankruptcy Case No. 8:23-bk-10571-SC in the United States
6 Bankruptcy Court for the Central District of California, Santa Ana Division.

7 B. On July 22, 2023, as Dk. No. 320, the Court granted Trustee's Sale Motion and
8 entered an order approving the sale of estate assets. Pursuant to the Sale Order, the Buyer closed on
9 August 4, 2023. Trustee is in receipt of approximately \$5.1 million of sales proceeds ("Sales
10 Proceeds"). Further Sales Proceeds will be received by Trustee in the future.

11 ***Trustee's Need to Use Sales Proceeds to Renew Malpractice Coverage***

12 C. Trustee needs to use up to \$100,000 to pay operating expenses: specifically to renew
13 the debtor's legal malpractice policy which covers consumer clients of the firm ("Policy"). The
14 payment for the renewal of the Policy must be received by the carrier by Monday, September 18,
15 2023.

16 D. Because the Court has not yet entered any judgments establishing the relative
17 priorities between the various secured creditors regarding which party is first-in-priority, Trustee is
18 seeking agreement from all such alleged secured creditors to use up to \$100,000 of Sales Proceeds to
19 renew the Policy.

20 Wherefore, the Parties agree and STIPULATE as follows:

21 1. To the extent that any of the existing Sales Proceeds constitute MNS's collateral, it
22 agrees that Trustee may surcharge such collateral under Section 506(c) and use up to \$100,000 to
23 renew the Policy and that such payment is a reasonable, necessary cost and expense of preserving or
24 disposing of its collateral. Maintaining malpractice coverage is beneficial to secured creditors in that
25 it will maximize the sales proceeds and minimize the risks of additional claims against the estate.

26 2. Except as specifically set forth herein, the Parties reserve all other rights, claims and
27 defenses; and
28

1 3. This Stipulation may be executed in one or more counterparts and facsimile electronic
2 signatures may be used in filing this document with the Court.

3
4 DATED: September 15, 2023

MNS FUNDING LLC

5 By: *Shia Dembitzer*
6 SHIA DEMBITZER, Managing Member
7 Secured Creditor
8 Counsel Paul Shankman to be retained,
9 appearance pending
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1 DATED: September 15, 2023

MARSHACK HAYS LLP

2
3 By: /s/ Laila Masud

4 D. EDWARD HAYS

LAILA MASUD

Attorneys for Chapter 11 Trustee

5 RICHARD A. MARSHACK

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
870 Roosevelt, Irvine, CA 92620.

A true and correct copy of the foregoing document entitled: **STIPULATION BETWEEN CHAPTER 11 TRUSTEE AND MNS FUNDING LLC RE: USE OF SALES PROCEEDS TO PAY OPERATING EXPENSES** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On **September 15, 2023**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL: On **September 15, 2023**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

**MAIL REDIRECTED TO TRUSTEE
DEBTOR**

THE LITIGATION PRACTICE GROUP P.C.
17542 17TH ST, SUITE 100
TUSTIN, CA 92780-1984

☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL: Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **September 15, 2023**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

**VIA PERSONAL DELIVERY:
PRESIDING JUDGE'S COPY**

HONORABLE SCOTT C. CLARKSON
UNITED STATES BANKRUPTCY COURT, CENTRAL DISTRICT OF CALIFORNIA
RONALD REAGAN FEDERAL BUILDING AND COURTHOUSE
411 WEST FOURTH STREET, SUITE 5130 / COURTROOM 5C
SANTA ANA, CA 92701-4593

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

September 15, 2023

Date

Cynthia Bastida

Printed Name

/s/ Cynthia Bastida

Signature

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): CONTINUED:

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4875-7394-3423, v. 1

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.